stitutional right of secession." In general there is on theoretical questions a disposition to judge 1850 to 1860 by the accepted theories of 1906.

But aside from these faults the book has many merits. It is written in a clear and lively style—it is the most readable account of the period with which the reviewer is acquainted; there is no better treatment of that tangled business of Buchanan, Seward and Lincoln from November, 1860, to April, 1861; the problem of the southern forts is well stated, and the entire military and naval situation is handled in a masterly way; the sketch of slavery conditions is, except for the slight injection of tradition, very good, for it is based on the sound common-sense use of some good authorities. The faults of the work are not vital, not an integral part of it. A little red ink or blue pencil, would have done much good and would have left the entire work in much better shape.

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Fisher, Irving. *The Nature of Capital and Income.* Pp. xxi, 427. Price, $3.00. New York: The Macmillan Company, 1906.

Professor Fisher accurately characterizes his work as "a sort of philosophy of economic accounting." It is a minute and painstaking analysis of the concepts of capital and income and of those relations between them which may be profitably discussed without trenching on the central problem of distribution. The book is divided into an introduction and four parts, as follows: Introduction, Fundamental Concepts (chapters on "Wealth," "Property" and "Utility"); Part I. Capital (three chapters); Part II. Income (four chapters), and Part III. Capital and Income (six chapters). Part IV contains a "Summary of Part III by Means of Diagrams," a "General Summary," and a "Summary of Definitions," and affords final proof, if proof were needed, of the author's determination to spare no effort that may increase the accuracy and precision of his terminology or the clearness of his exposition. The book concludes with a series of appendices, largely mathematical, which further attest the thoroughness of the author's work.

It is one result of the striving after precision of statement and clearness that distinguishes the book, that the principles for which the author contends—overlooking the interesting, valuable and often original and ingenious applications of accounting to the relations between capital and income—may be restated in a few words. Starting out by defining wealth as all material objects owned by human beings—including human beings themselves—and property as rights to the chance of future services of wealth, he insists that the true concept of capital is the total stock or fund of wealth existing at an instant of time, and that the true concept of income is the flow of services from wealth during a particular period of time. The justification of these concepts, criticism of rival concepts, and explanation of the way in which capital and income as here defined are to be treated in the bookkeeping of the economist occupy most of the chapters in Parts I and II. The guiding principle of Part III is that the value of all wealth grows out of the

services which it renders or is capable of rendering to man. Thus the value relation between capital and income runs from income to capital rather than from capital to income. The application of this principle to the valuation of different forms of wealth, whose future incomes are assumed to be known, and when the rate of interest varies in arbitrarily assumed ways constitutes the subject-matter of this part, which concludes appropriately with a discussion of the influence of the element of risk on valuations. As a contribution to economic accounting, this part is the most important portion of the book. Economists may differ from the author as to whether subjective cost plays such a subordinate rôle in the valuation process as he all along assumes, but there can be no difference of opinion as to the value and suggestiveness of his treatment of the relation between capital and income from this one point of view. Some of his conclusions may require restatement when brought into relation with a complete theory of distribution, but as a contribution to one portion of such a theory they are of permanent value.

The contentions of the writer which will arouse the liveliest opposition are those identifying capital with all wealth, and confining income to the flow of services from wealth. To many, if not most, economists the proposed definition of capital will seem too broad, including as it does workers themselves, land, and consumers' goods, side by side with the producers' goods, the products of past production, of the classical definition; while the definition of income will seem too narrow, since it makes no provision for additions to capital out of income. The brief space accorded to a book review will not permit a consideration of the merits of these objections, but some of the criticisms which Professor Fisher directs at rival conceptions of capital and income cannot be passed over in silence.

Economists who still adhere to the time-honored distinction between land and capital will find his discussion of this question far from satisfying. The author appears to believe that he has disposed of it by asserting (note, p. 56) that "the fancied distinction between land and capital . . . . is based on a confusion between *quantity* and *value* of wealth." This confusion has doubtless existed in the minds of some economists, but after the exhaustive examination to which the problem has been subjected in recent years, it can hardly persist in those of many. Yet the contrast between land and capital is still made prominent in the thinking of some of the ablest economists of the present day. Are these writers so dominated by tradition that they cannot see what Professor Fisher sees so clearly, or are they conscious of practical grounds for adhering to the distinction which he, in his zeal for the simplification of economic concepts, overlooks? A review is not the place in which to attempt to answer this question, but it may be suggested that it cannot be decided conclusively except in connection with an adequate treatment of the dynamics of distribution.

Even more serious are the doubts that arise as to the expediency of limiting the concept of income to the flow of services from wealth. That we need a phrase to describe this flow of services during a given unit of time

will not be questioned. Other writers, thinking of it in a different terminology, have characterized this "stream of utilities" as the "immediate income." But will it serve a useful purpose to limit income to this, and this alone? From the point of view of distribution—as heretofore conceived—the initial contrast is between the wealth already in existence and the product created during a productive period. A part of the latter merely replaces wealth destroyed in connection with the productive process. What is left, the "net product," is the new wealth added to that already in existence and to be distributed in some way among those who have taken part in production. Economists who have been in the habit of attaching the term income to the money equivalent of this new wealth and of distinguishing this as "money income," from the "real income" or other wealth for which it is exchanged, will hardly give up the practice, because the elements on which the money income rests, commodities and personal services, are "incongruous." Commodities and services are also incongruous among themselves. They are made congruous only by being expressed in their value equivalents in some common medium or through the contributions which they make to the stream of consciousness of the consumer. By emphasizing the thought that it is not commodities but commodity-services which constitute true income, Professor Fisher adds to the clearness and accuracy of our nomenclature, but are commodity-services any more comparable with personal services than commodities themselves except through their value equivalents or through their contributions to the psychic income?

But the author's principal objection to the older concept of "real income" is that it includes savings or additions to capital along with services. This "fallacy" (p. 254) he condemns in Chapters VII and XIV on the ground that it involves double-counting and a confusion of income with capital. That it *may* lead to double counting no one will deny, but that it does so in the case of the economist cited as the horrible example in this connection, Mr. Cannan, does not appear to be established by the passage quoted from that acute writer (p. 248). Mr. Cannan's offense against logic consists in counting savings as a part of income in the year in which they are accumulated, and interest on these savings as income in subsequent years (p. 108). To show the "nature of the fallacy" committed, the author cites the purchase of an automobile and the inaccuracy of crediting the automobile to income when it is purchased and its subsequent uses to income in subsequent years. Quite accurately he insists that the anticipated uses of the automobile are all that give value to the automobile, and that the same thing is counted twice if all the value and the value of *all* the uses are both described as income. Quite inaccurately, however, he identifies the interest of Mr. Cannan's statement with *all* the uses of a durable form of wealth, like an automobile. Mr. Cannan's assumption and the assumption of every careful writer who includes savings or additions to capital in income and interest on this added capital in subsequent years in income is that *the fund of capital is maintained intact.* It is perfectly true that the present value of the fund of capital is due to the income that is expected to accrue

from it in the future. It is also true, however, that normally capital affords a net income or interest over and above the cost of its own replacement, and no double counting results from counting the capital as income as it is saved and the interest on that capital as additonal income as it arises. Concretely a man who invests $100 of his income to-day in a four per cent bond at par may be said to have taken his real income in that form instead of in the form of immediate gratifications. To include the four dollars interest which he receives next year is not double counting. On the contrary, not to include it would be to deprive him of the very advantages he expected to derive from saving his $100 instead of spending it. It is hardly necessary to point out that the defect in the automobile illustration is that it ignores the distinction between gross yield and net return, or interest. Among the uses of the automobile, some, and these the greater number, should be credited to a replacement fund. The others are the true interest on the investment, and should be credited to income in the year in which they are enjoyed.

If I am not mistaken in my reading of the text, the same oversight which leads Professor Fisher to take Mr. Cannan to task for a fault of which he seems to me quite innocent, leads him into positive and serious error in his discussion of the taxation of appreciating real estate (p. 254). But space will not permit an elaboration of the point. Professor Fisher concludes his discussion (p. 255) by reaffirming the old adage that "you cannot eat your cake and have it too." The point he seems to me to miss is that in the case assumed by Mr. Cannan you do not "eat your cake." It is because you "have it" and continue to "have it" that you have also the interest which it affords. Of course the presence or absence of double counting in the older conception of "real income" is no conclusive argument either for or against it. Here again the final answer must hinge on the use that can be made of this concept or of Professor Fisher's in a complete theory of distribution.

The accusation that including savings in income confuses income with capital is more serious, but is this confusion the fault of the definition or does it merely reflect the intimate relation between income and capital in our actual economic life? The latter seems to me to be the case, and I feel some doubt as to the fruitfulness of a definition which divorces capital from income as completely as does that proposed by Professor Fisher. Certainly it runs counter to some of the notions about income that have become firmly entrenched in our common speech as illustrated by the phrases "capitalizing income," "living beyond one's income," etc.

In conclusion, it must be said that while Professor Fisher presents his arguments in defense of his conceptions of capital and income with force as well as with confidence, it is doubtful whether they will carry conviction to any mind not already prejudiced in their favor. This is because the rival conceptions which the author combats have performed and still perform useful functions in the explanations of the problems of distribution which commend themselves to other economists. Not until Professor Fisher has shown that his conceptions are equally fruitful as tools of economic analysis,

and that with their aid clearer and more consistent explanations of economic phenomena than those now current can be attained, will his definitions be accepted. He is too good an economist not to be impatient to subject his conceptions to this final test. In this treatise they have rendered good service on the skirmish line. Let us hope that the time may not be long delayed when they will be brought to bear on the central citadel of the problem of distribution in a second volume on Capital and Income in which all will be explained which is here taken for granted.

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Forbes-Lindsay, C. H. *America's Insular Possessions.* Two volumes. Pp. 560 and 566. Price, $10.00. Philadelphia: The John C. Winston Company, 1906.

These two volumes, handsomely bound, and copiously illustrated by well-selected photographic reproductions of unusual clearness and interest, contain a number of dissertations in the general style and form of Stoddard's Lectures. They offer, concerning each of the American possessions treated, a little history usually referring to the romantic period, a little physical geography, a little anthropology, a little politics, and a little of anything and everything. If they were furnished with maps, they would constitute a useful guide-book. If they had been based a little more on personal observations they would have been good books of travels. As they stand, they are a useful work of reference for the reader who has never visited the islands and who has not read their history, nor studied their present conditions in the current reports. To bring together in so small a compass so much that is likely to interest the "general reader," and at the same time to commit so few and so relatively insignificant errors is an achievement. If the scholar in anthropology, the historian or the expert on modern colonial administration is not aroused to enthusiasm by the book, it is his fault perhaps in knowing too much, rather than that of the work before us.

It is, in a way, characteristic of the work that its title is "America's Insular Possessions," although the volumes include a story of Panama; that the preface says "the following pages treat of the American possessions abroad;" although no word is said of Alaska. The title, the preface and the contents are no more contradictory than many of the subsequent statements. The pages of text which intersperse the excellent photographs, are drawn from readily available sources, with only the scantiest and most meager of unidentifiable references. The contradictions and many repetitions arise from using these different sources without reconciling them. The covers are richly emblazoned with coats of arms which the contents do not describe nor identify and which will not be readily recognized save by one erudite in heraldry. The generally excellent pictures are not always true to their legends. For example, the picture in Volume II, p. 110, of the alleged "head hunter" an "Igorot chieftain (sic) of Neuva Vizcaya" is full of incongruities. Since when have the Igorots had chieftains? Again at p. 126